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C O N F I D E N T I A L SECTION 01 OF 02 KATHMANDU 002048

SIPDIS

STATE FOR SA/INS AND S/CT

E.O. 12958: DECL: 10/21/2013

TAGS: [PTER](#) [CASC](#) [ASEC](#) [BEXP](#) [NP](#)

SUBJECT: NEPAL: MAOISTS ISSUE CONCILIATORY STATEMENT;  
ACTIONS CONTRADICT SUPPOSED NEW POLICY

REF: A. KATHMANDU 2020

[1](#)B. KATHMANDU 1964

Classified By: AMB. MICHAEL E. MALINOWSKI. REASON: 1.5 (B,D).

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SUMMARY  
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[1](#)1. (C) In an October 21 press statement, Maoist leader Prachanda announced that the insurgents would no longer attack infrastructure, political party workers, members of the security forces on leave, and assistance projects, except those funded by "American imperialists." The statement, which summarizes decisions taken at a recent Politburo meeting, likely reflects growing Maoist awareness of the increasing unpopularity of their violent and destructive tactics among their purported supporters in underdeveloped rural areas. A Maoist attack on a local government office building in Bhaktapur District in the early morning hours of October 22 directly contradicts the supposed new policy and calls into question the Maoists' sincerity in implementing it. Besides threats against local Coca-Cola and Colgate-Palmolive operations, the Maoists have repeatedly threatened and attempted to extort money from Pepsi distributors in Nepal. The singular swipe at U.S.-funded assistance programs, moreover, strengthens the case for a possible designation of the Maoists under E.O. 13224 on terrorist financing. End summary.

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A KINDER, GENTLER PRACHANDA?  
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[1](#)2. (U) Late on October 21 a number of local media representatives received an e-mail message, purportedly from Maoist leader Prachanda, announcing several policy changes, which were reportedly decided at a recent Politburo meeting held at an undisclosed location. Claiming that the Maoists' military "capabilities have improved . . . (so that) from the hills to the Terai and in all rural areas the old state power has ended," the statement declares that "all sabotage against the Village Development Committee buildings (the smallest unit of local government; Maoists have destroyed or damaged one-third of all such structures in the country), telecommunication towers, empty army barracks and police posts and other physical infrastructure will be discontinued." Instead, such infrastructure will be "protected, promoted and mobilized in the interests of the people. (Disciplinary) action against the enemies of the people and spies for the old regime will not be undertaken by the People's Army itself but rather through the people's constitutional and legal process. . . . No physical punishment will be given to lower-level personnel of the army and police while they are on leave; instead they will be persuaded to quit their posts and work for the people. Their families will be protected. Likewise, no action will be taken against political leaders and party workers in the rural areas on the basis of their political beliefs. . . . Action against anyone found guilty of being an informant will be initiated according to the people's constitutional process." With respect to extortion, the statement claims that common people will be allowed to give "donations" voluntarily, while big businesses, industrialists, transport operators and organizations will be assessed a fixed "tax." No attacks will be made on NGO and INGOs "other than those run by American imperialists." Non-US-funded aid projects will be allowed to continue "in coordination with the local people's government."

[1](#)3. (U) The statement notes that the Maoists will "formally appeal" to the United Nations and other countries, especially India and China, to "extend support" to the insurgents, "who had gained the trust of the citizens." It announces the appointment of Politburo member and former negotiator Krishna Bahadur Mahara as spokesman, whose responsibilities include "suppressing the false publicity of the old state power," and concludes by reporting the Politburo's resolve "to prepare for counterattack against enemies."

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ACTIONS SPEAK LOUDER THAN  
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POLITBURO PRONOUNCEMENTS

14. (U) While the Maoist leadership was scrupulous in circulating news of its revised policy directives to major media outlets, it was apparently less diligent in getting the word out to its operatives in the field. At about 0400 local time on October 22, suspected Maoist insurgents bombed and set fire to a Village Development Committee building in Bhaktapur District.

15. (C) The Maoists' "tax" on "big businesses" and "industrialists" will likely include U.S. investments and distributors of U.S. products. Besides repeated threats and extortion demands directed against local representatives of Coca-Cola and Colgate-Palmolive (Ref A), the Maoists have also targeted local distributors of Pepsi products. On September 17 a Pepsi sales manager and seven other employees traveling in Rupandehi District were robbed at gunpoint and their vehicle set on fire. The attackers reportedly shouted anti-American slogans. On October 9 suspected Maoists robbed and beat the driver of another Pepsi truck in in Sindhupalchowk District (Ref B), torching the vehicle. The local manager reports that his company has received at least five extortion demands since July.

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COMMENT  
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16. (C) The savage killings of mainstream political party activists, soldiers on leave, and members of servicemen's families, their exorbitant and excessive extortion demands, their senseless destruction of vital infrastructure, and their interference with popular aid programs have seriously eroded the insurgents' base of support among their purported constituency--the rural poor. This supposed softening of Maoist tactics may reflect no more than the Politburo's realization that unrestrained, random violence has cost it valuable political capital among the very members of Nepali society in whose interests the Maoists claim to be fighting.

17. (C) Comment Continued: Nonetheless, we expect the Maoists (and perhaps others in the donor community and civil society) to cite this declaration as a reason to forestall a possible designation of the Maoists under E.O. 13224 on terrorist financing. We think this would be a mistake. We seriously question whether the Maoists' commitment to implementing this "new" policy extends beyond the rhetorical--especially given the Oct. 22 attack on the VDC building, which directly contravenes those directives. The decision to assess a "tax"--without even the polite fiction of such a levy being a "voluntary donation" on large businesses indicates that U.S. investments like Coca-Cola can expect continued harassment, extortion, and threats that will render their continued operation increasingly difficult. Moreover, the Maoists' singling out of US-funded aid activities shows that they remain committed to undermining our development assistance programs--one of our most important foreign policy objectives in Nepal. We continue to believe that a designation of the Maoists under E.O. 13224 is justified.

MALINOWSKI